

Message Text

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ACTION EB-08

INFO OCT-01 ISO-00 AF-10 ARA-10 EA-10 EUR-12 NEA-10
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NSAE-00 OIC-02 SIL-01 STR-06 TRSE-00 CEA-01 SS-15
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R 231312Z JAN 78
FM USMISSION GENEVA
TO SECSTATE WASHDC 4989
INFO AMEMBASSY BANGKOK
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E.O. 11652: N/A
TAGS: ETRD, UNCTAD
SUBJECT: UNCTAD: COMMODITIES: JUTE - REPORTING OF FIRST
MEETING OF WORKING GROUP

SUMMARY: CONSUMERS OPENED FIRST SESSION OF WORKING GROUP
ON JUTE WITH RECOMMENDATION THAT PRIORITY BE GIVEN TO
DISCUSSION AND ESTABLISHMENT OF A PROGRAM ON R&D TO
IMPROVE JUTE'S COMPETITIVENESS. PRODUCERS CONTINUED TO
INSIST, HOWEVER, ON CONSIDERATION OF MEASURES ONLY AS AN
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ENTIRE PACKAGE. DISCUSSION THEREFORE FOCUSED ON MARKET
STABILIZATION WHERE NO AGREEMENT HAS YET BEEN ATTAINED.
THE DISCUSSION OF MARKET INSTABILITY AT THIS MEETING WAS
THE MOST THOROUGH AND ANALYTICAL TO DATE. NO CONCLUSIONS
WERE DRAWN AND SPECIFIC RECOMMENDATIONS WERE PUT OFF AT
LEAST UNTIL THE NEXT WORKING GROUP MEETING (APRIL 10-14),
BUT CONSUMERS AGREED TO CAREFULLY REVIEW THE DISCUSSIONS

AND TO TRY TO REACH SOME CONCLUSIONS AS SOON AS POSSIBLE. CONSUMERS MADE CLEAR, HOWEVER, THEY ARE ONLY EXAMINING POSSIBILITY OF STABILIZATION FOR RAW JUTE AND NOT FOR JUTE PRODUCTS. THIS APPROACH IS REJECTED BY PRODUCERS. IT ALSO PUTS INDIA IN A DIFFICULT POSITION AND INCREASES THE UNDER-CURRENT OF TENSION BETWEEN INDIA AND BANGLADESH WHICH WAS OBVIOUS THROUGHOUT MEETING. PRESSURE IS BUILDING ON CONSUMERS FOR SOME KIND OF CONCLUSIONS RE MARKET STABILIZATION AND US WILL HAVE TO MAKE A DECISION IN THIS REGARD, IF POSSIBLE BEFORE THE NEXT SESSION OF THE WORKING GROUP, NOW SCHEDULED FOR APRIL 10-14. NEXT FULL PREPARATORY MEETING, ORIGINALLY SCHEDULED FOR MAY 1-5, HAS BEEN POSTPONED TO JULY 24-29. END SUMMARY.

1. FIRST OF TWO WORKING GROUP MEETINGS ON JUTE TOOK PLACE JAN 15-20. IT WAS ATTENDED BY ALL MAJOR CONSUMERS EXCEPT USSR. OF PRODUCERS, HOWEVER, NEPAL AND THAILAND ATTENDED IN NAME ONLY. BANGLADESH DELEGATION CONSISTED GENEVA REPRESENTATIVES ONLY. INDIA INTENDED TO USE ONLY GENEVA REPRESENTATIVE AND SENT B.L. DAS FROM MINISTRY OF COMMERCE WHO USUALLY HEADS DELEGATION ONLY UPON LEARNING THAT NO ONE WAS ATTENDING FROM DACCA.

2. PRIOR TO FORMAL COMMENCEMENT OF MEETING, PARTICIPANTS MET INFORMALLY AND AGREED THAT, IN ORDER TO ALLOW COMPLETE AND FREE DISCUSSION, ANY DECISIONS WOULD BE RESERVED FOR LIMITED OFFICIAL USE

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SECOND WORKING GROUP MEETING.

3. MEETING BEGAN WITH US AND EC STRESSING BEST HELP FOR JUTE WAS MEASURES TO IMPROVE COMPETITIVENESS, SPECIFICALLY R&D. AS SOME DEGREE OF INTERNATIONAL AGREEMENT HAS BEEN REACHED IN THIS AREA, CONSUMERS THOUGHT PRIORITY SHOULD BE GIVEN TO WORKING OUT DETAILS AND BEGINNING A PROGRAM IN THIS AREA.

4. PRODUCERS COULD NOT ACCEPT THIS APPROACH. THEY STATED THAT THIS WAS ONLY ONE ASPECT OF AN APPROACH TO THE PROBLEM, AND THAT ACTION COULD ONLY BE CONSIDERED AS A WHOLE. THEREFORE PRIORITY IN DISCUSSION HAD TO BE GIVEN TO AREAS WHERE AGREEMENT HAD NOT YET BEEN REACHED. COMMENT: GIVEN THEIR INTEREST IN THE COMMON FUND AND THE IPC IN GENERAL, STABILIZATION MEASURES ARE OF CRUCIAL IMPORTANCE TO PRODUCERS. THEY REMAIN SUSPICIOUS OF CONSUMER INTENTIONS AND BELIEVE THAT IF MOVEMENT ON OTHER MEASURES IS BEGUN SEPARATELY, QUESTION OF STABILIZATION WILL BE SIDETRACKED INDEFINITELY. IN ADDITION, SINCE THEY ALREADY HAVE CONSUMER COMMITMENT ON R&D THEY BELIEVE SUCH PROGRAMS CAN BE EASILY IMPLEMENTED. END COMMENT.

5. GIVEN IMPORTANCE PRODUCERS ATTACH TO QUESTION OF STABILIZATION, CONSUMERS AGREED TO USE MEETING FOR FULLEST DISCUSSION OF THIS ISSUE. ENSUING DISCUSSION WAS MOST ANALYTICAL AND TECHNICALLY ORIENTED OF JUTE MEETINGS TO DATE. IT SPECIFICALLY ADDRESSED DEGREE TO WHICH PRICE AND/OR SUPPLY INSTABILITY HAVE AFFECTED ABILITY OF JUTE GOODS TO MAINTAIN SHARE OF MARKET, AND CAUSAL RELATIONSHIP BETWEEN BANGLADESH POLICIES AND ACTUAL LEVELS OF PRICE STABILITY. CONSUMERS WERE UNABLE TO AGREE WITH PRODUCER CONTENTION THAT INSTABILITY OF PRICE WAS CRUCIAL FACTOR IN LOSS OF MARKET SHARE OR THAT BANGLADESH HAD PURSUED A CONSCIOUS POLICY OF STABILIZING INTERNATIONAL PRICES AND

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BORNE THE COST OF SUCH AN OPERATION. REVIEW OF OPERATION OF FAO INDICATIVE PRICE MECHANISM INDICATED BANGLADESH BASICALLY OPERATED A DOMESTIC PRICE SUPPORT PROGRAM WITH

CONSUMER SANCTION.

6. CONSUMERS AGREED TO STUDY THESE RELATIONSHIPS CAREFULLY AND COME TO CONCLUSIONS AS SOON AS POSSIBLE. US DEL SAID US WOULD STUDY IMPORTANCE OF PRICE INSTABILITY TO MARKET SHARE OF JUTE IN US MARKET, SPECIFICALLY CARPET-BACKING, BUT NOTED THAT THIS WAS ONLY IN RELATION TO MEASURES WHICH LIMITED OFFICIAL USE

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MIGHT BE ADDRESSED TO RAW JUTE. HENCE, THE RELATIONSHIP BETWEEN RAW JUTE AND JUTE GOODS PRICES WOULD HAVE TO BE EVALUATED.

7. THROUGHOUT DISCUSSIONS BOTH US AND EC MADE CLEAR CURRENT EXAMINATIONS OF POSSIBILITY OF ACTION ON STABILIZATION ARE DIRECTED ONLY TO RAW JUTE. US NOTED THAT WHILE US COULD NOT CATEGORICALLY RULE OUT POSSIBILITY OF CONSIDERING MEASURES FOR JUTE PRODUCTS AT SOME FUTURE DATE, WE SAW LITTLE LIKELIHOOD THAT SUCH A COURSE WOULD BE PURSUED.

8. PRODUCERS INSISTED ON CONTINUING DISCUSSION OF HARMONIZATION. THEY MAINTAINED THEY WOULD CONTINUE TO RAISE THE ISSUE UNTIL SOME ACTION IS TAKEN ON IT. BANGLADESH STATED THAT ON AGREEMENT WHICH ADDRESSED ONLY STABILIZATION AND OTHER MEASURES BUT NOT HARMONIZATION WOULD NOT SUCCEED. US DELEGATE ASKED IF IMPLICATION OF THIS STATEMENT WAS THAT WITHOUT POSSIBLE ACTION ON HARMONIZATION FURTHER ATTENTION TO OTHER AREAS WAS NOT JUSTIFIED. COMMENT: WE ASSUME BANGLADESH REPRESENTATIVE OVERSTATED HIS POSITION ON THIS ISSUE. PRODUCERS IN PRIVATE DISCUSSIONS SEEM AWARE THAT NO MOVEMENT WILL BE FORTHCOMING IN THIS AREA FROM MAJOR CONSUMERS. HOWEVER, GIVEN THE PRODUCERS' INTENTION TO KEEP THIS ISSUE ALIVE, CONSUMERS WILL NEED TO CONSIDER WHETHER WE WISH TO MAINTAIN PASSIVE POSITION OR REQUIRE SOME KIND OF ACCOUNTABILITY. END COMMENT.

9. ONLY A BRIEF TIME WAS LEFT FOR DISCUSSION OF R&D. EC PROPOSED THAT UNCTAD AND FAO SECRETARIATS COMPILE AND RE-EVALUATE EXISTING WORK ON R&D PROGRAMS FOR REVIEW AT NEXT MEETING. PRODUCERS MAINTAINED THAT WORK ON PROGRAMS IS NOT USEFUL UNTIL THE OVERALL ORGANIZATIONAL AND FINANCIAL STRUCTURE OF A COMMODITY AGREEMENT IS ESTABLISHED IN WHICH LIMITED OFFICIAL USE

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PROGRAMS COULD BE CONSIDERED AND IMPLEMENTED. QUESTION WAS POSTPONED TO NEXT MEETING.

10. A BRIEF DISCUSSION OF THE CURRENT SITUATION TOOK PLACE AT REQUEST OF EC AND POLAND WHO NOTED PRICES WERE SUBSTANTIALLY ABOVE INDICATIVE PRICE RANGE. THEY CLAIMED THIS WAS DUE TO BANGLADESH GOVERNMENT ACTION ENCOURAGING MILLS TO BUILD UP STOCKS AND COMPETE AGAINST SHIPPERS IN AN ALREADY TIGHT SUPPLY SITUATION. DURING DISCUSSION US DEL ASKED RAHMAN (FORMERLY WITH BANGLADESH GOVERNMENT AND NOW WITH UNCTAD SECRETARIAT), GIVEN SHORT SUPPLY SITUATION WHEN STABILIZATION MEASURES SUGGESTED BY UNCTAD COULD BECOME EFFECTIVE. RAHMAN REPLIED THAT A JUTE GOODS BUFFER STOCK COULD BE BUILT RIGHT AWAY AS INDIA AND BANGLADESH HAVE SIZEABLE STOCKS BUT A RAW JUTE STOCK COULD NOT BE CREATED FOR AT LEAST THREE YEARS.

11. COMMENT: IT IS CLEAR THAT US AND OTHER CONSUMERS WILL HAVE TO TAKE A DEFINITE STAND ON QUESTION OF INSTABILITY IF NOT AT NEXT WORKING GROUP MEETING, AT LEAST AT NEXT PREPARATORY MEETING. PRODUCERS AND SECRETARIAT WILL NO DOUBT FOLLOW EXAMPLE OF RUBBER MEETINGS AND TRY TO SET DECISION-MAKING TIMETABLE. FIRST STEP IS DETERMINATION WHETHER OR NOT WE CONSIDER INSTABILITY OF PRICE A PROBLEM SIGNIFICANT ENOUGH TO JUSTIFY SOME KIND OF INTERNATIONAL ACTION. US SHOULD TRY TO MAKE SUCH A DECISION BY SECOND WORKING GROUP MEETING NOW SCHEDULED FOR APRIL 10-14.

12. EXAMINATION BY MAJOR CONSUMERS OF STABILIZATION FOR RAW JUTE BUT NOT FOR JUTE PRODUCTS PLACES INDIA IN DIFFICULT POSITION. INDIAN DELEGATE (DAS) LOST NO TIME IN REJECTING THIS APPROACH AS ONLY MARGINAL. HE WAS SUPPORTED BY BANGLADESH REP, BUT MOST STRONGLY BY UNCTAD SECRETARIAT. US DELEGATION, IN PRIVATE MEETING CALLED BY COMMODITIES DIVISION CHIEF MCINTYRE, WAS LECTURED BY SECRETARIAT STAFF

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(HULUGALLE OF SRI LANKA) TO EFFECT THAT ANY ACTION ON RAW JUTE MUST ADDRESS NOT ONLY THAT DESTINED FOR INTERNATIONAL TRADE BUT FOR INTERNAL USE OF ALL PRODUCERS. THIS APPARENTLY IS SECRETARIAT'S EFFORT AT COMPROMISE ACCEPTABLE TO INDIA. AGOSTINI OF FAO LATER CONFIRMED THAT HULUGALLE WAS ACTING AS FAO STALKING HORSE AS FAO RECOGNIZES ACTION ON GOODS UNLIKELY BUT ACTION ON RAW JUTE ONLY MUST CONTAIN SOMETHING FOR INDIA.

13. THIS ISSUE CONTRIBUTES TO THE UNDERCURRENT OF TENSION
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BETWEEN INDIA AND BANGLADESH. IT WAS MOST VIVIDLY EXPRESSED IN INABILITY OF TWO TO AGREE ON A VERY SIMPLE LISTING OF VARIOUS ISSUES DISCUSSED TO BE INCLUDED IN FINAL REPORT. AS MOST DISCUSSION FOCUSSED ON OPERATION OF BANGLADESH RAW JUTE ECONOMY, INDIA INSISTED ON LIMITING REPORT TO ONE SENTENCE LISTING GENERAL TOPICS WITH NO HINT OF SPECIFIC SUBJECTS COVERED UNDER EACH TOPIC. END COMMENT. VANDEN HEUVEL

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